

GLOBAL BUSINESS ENVIRONMENT

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Introduction

International business refers to the trade of goods, technology, services, knowledge, and capital at a global, transnational scale or across the national border (Zahoor et al., 2021). The business environmental analysis involves studying the factors that affect the business; this includes both internal and external factors such as political, economic, social, technological, environmental,

and legal. Organization strategy is the long-term plan for how the company uses its resources to support business activities and meet business goals and objectives (Tallman et al., 2018). Using Walmart, an US -based company, this report aims to introduce the selected developing country that Walmart should enter briefly. The report aims to apply business environmental theories, including PESTLE and Porter's five forces of the selected country or context. The report will critically evaluate the opportunities and challenges and how to manage aspects of corporate governance, business strategy, and cultural sensitivity in the selected country using various relevant examples. The report will then analyse different barriers experienced by foreign businesses in the country selected using various examples. Further, the report will provide appropriate strategies and recommendations for Walmart to succeed in the developing country chosen. Lastly, the report will provide a conclusion covering the key points discussed. A range of literature from relevant and reliable books, journals, and articles will support these.

Overview of the Walmart Company

Walmart is a US-based retail multinational company. The company offers groceries, consumables, health and wellness products, technology, office and entertainment products, product lines, fashion, and home goods at competitive prices in their respective markets (Veselovsky et al., 2017). It operates in formats that include Local markets, supermarkets, hypermarkets, department stores, and discount stores. The business also provides banking services, money orders, prepaid cards, wire transfers, check cashing, bill payments, and selling fuel and gift cards. It does business in Canada, Africa, the United States of America, China,

India, Mexico, Central America, and Chile through physical and online stores and websites (Ghauri et al., 2021). Its headquarters is in Bentonville, Arkansas, United States.

Introduction to developing country (Colombia)

Columbia is one the Latin American countries. While Walmart is in different countries in Latin America, there is no presence of Walmart in Columbia. It is one of the oldest democracies and is an upper middle-income country. This country has been identified as having the world's second-highest level of biodiversity. According to the Guardian newspaper (2022), the country currently has a population of 52, 579,000. According to IMF, it is also one of the largest economies in Latin America. It is also known for extreme land and weather.

PESTEL analysis of Colombia.

Political

It is one of the oldest democracies; it has a presidential representative and is a democratic republic .due to this high democracy, it fits Walmart to move. The country also has a corporate tax of 35%, which is slightly high compared to other countries such as the US (30%), which is affordable by Walmart (Peng, 2022). The countries also have anti-competition laws and policies that promote competition, creating an easy entry into the market. It also has a fiscal policy initiative supporting local and foreign companies.

Economic

Economic factors have a direct impact on business performance from a financial perspective. A factor affecting the economy has an immediate and direct influence on the state of the economy

and its performance, which in turn has an immediate and direct influence on the organisation's profits (Tallman et al., 2018). The country has favourable interest rates that enable the growth of international companies. The cost of raw materials and foreign exchange rates are also favourable. The unemployment rate is currently 9.98% showing that the purchasing power of the consumers can be considered high as many of the people are employed.

Social

The country currently has a population of 52, 579,000 which can provide Walmart with a considerable market for its goods and services (Zahoor et al., 2021). This mediates its population growth (8%), providing skilled and unskilled labor. It is recognised as one of the seventeen mega diverse countries with persons with diverse cultural and social factors such as age, gender, race, and social class. Most of the people in this country are middle-income persons. There is a strong emphasis on social class in Colombian society (Tien et al., 2019). The living standard in Colombia is medium, as the country is classified under an upper-middle-income economy. With its per capita income of about 16,460 PPP dollars (Zona et al., 2022). The age of 25 -54 currently is the largest age bracket occupying about 42.04%, followed by the 15-24 age group with about 16.38%, with women having the highest numbers in these statistics (Cherunilam, 2020). The country emphasises safety and health consciousness issues and is highly influenced by changes in lifestyle attitudes

Technology

Columbia has been at the forefront of developing and simulating technology as a developing country. Technological developments have altered the procedures of various industries and

markets in Colombia. This comprises financial incentives for developing new technologies, innovations, automation, research and development, technical progress, and increased market awareness. Other technology adopted in this country includes new ways such as block chain for the distribution of goods, e-commerce, and digital communication

Environmental

Concerns about the environment are relatively recent. They are essential because there is a limited supply of raw materials, and the government has pollution and carbon footprint targets to meet (Ghauri et al., 2021). Tourism, farming, agriculture, and insurance may all be influenced by the weather and climate, as well as environmental offsets and climate change. The growing knowledge about climate change also influences how businesses operate and produce products (Veselovsky et al., 2017). A growing number of businesses demonstrate increased interest in CSR and sustainable practices. Colombia has also uploaded these.

Legal

Consumer protection laws, copy and patent laws. Legislation pertaining to topics such as discrimination, antitrust, employment, consumer protection, copyright, patents, and health and safety may be included among these variables (Qiwei, 2020). Colombia has consumer and antitrust policies. the country also has copyright and patent laws , health and safety laws and employment laws that are tight to protect employees.

Porters five analysis

Porter's five is responsive to the company's competitive advantage. This includes the suppliers' bargaining power, the buyers' bargaining power, threats of substitutes, threats of new entrants, and competitive rivalry. Porter's five analyses for the retail and wholesale business that Walmart in Colombia can be discussed below:

Competitive rivalry/competition

There is a strong Competitive rivalry/competition. There are a large number of firms, a very wide variety of firms, and high aggressiveness of retail firms (Hooper and Holtbrügge, 2020). Walmart generally faces stiff competition (Eden and Nielsen, 2020). This includes H&M, Zara, Target, Unilever, and Tesco brands.

Bargain power of buyers

Walmart has weak bargaining power of buyers as there is a large population of consumers and small sizes of individual purchases (Tallman et al., 2018). According to Porter's Five Forces analysis, the sheer volume of customers shopping in retail stores makes it impossible for them to exert significant amounts of pressure on businesses.

Bargaining power of suppliers

The Bargaining power of suppliers is very weak in the retail industry. Most of the retail goods and services are highly available in Colombia and can also be sourced from foreign countries such as the United States (Chen, 2021). There is a large population of suppliers that Walmart can get in Colombia; these suppliers also have tough competition amongst themselves and would prefer big companies such as Walmart.

Threat of new entrants

This is a strong force. Even in the presence of Walmart, new retail businesses can easily enter the market. Convenience, location, and the ability to specialise are some factors that enable smaller retailers to compete successfully companies (Collinson et al., 2020). Additionally, the entry and existing laws by the government of Colombia into the retail and wholesale industry are not strict

The threat of substitute products

The threat of substitute products is moderate (Zona et al., 2022). This is due to the moderate availability of Walmart substitute products in the Colombian market, moderate variety of the sub-sites, and moderate cost of substitutes

Opportunities and challenges that are present in the selected country

Opportunities

First, Walmart can easily enter this market by importing and acquiring already established retail companies (Tien et al., 2019). This will give it ownership of a significant market share. Walmart will grow its sales and revenue by exploiting the Colombian market due to its high population and a large number of medium-income earners. The company's customer base could grow as a result of international trading. Colombia has the potential to foster the expansion of businesses and increase income (Veselovsky et al., 2017). Entering the Colombian market as a new firm would also decrease Walmart's current competition. Walmart could also have the opportunity to develop new products, services, and product lines to fit the varying needs and demands of the

Colombian consumer segments (Cherunilam, 2020). While currently, the company has a range of countries it exists in, entering into these markets would provide an additional market for the surplus goods. Entry into the Colombian market also increases Walmart's reputation (Hunt et al., 2018). The company's reputation may benefit from engaging in international trade. If the business is successful in one/ few nations, it could provide an advantage in the market niches of nearby nations. It has the potential to enhance both the domestic and global reputation of your firm. The diversification of the market through entering the Colombian retail and wholesale industry would also reduce the company's inherent risk. Lastly, Walmart can counterbalance the seasonal demand cycles by entering this country (Chen, 2021). Walmart has a range of entry strategies into this country, including importing and exporting, licensing, franchising, outsourcing, and acquisition.

Challenges

One of the challenges with Colombia is high corporate taxes. While currently, many of the countries that Walmart operates in are at 30% corporate tax, Colombia's current tax rate is at 35%; this will minimise the profit margin of Walmart in Colombia companies (Collinson et al., 2020). Colombia is a mega-diversified cultural country, and Walmart is likely to face challenges in integrating and meeting the divergent needs of the customers in this market (Hamilton and Webster, 2018). Managing the teams would also pose a challenge due to team time zones, language barriers, low levels of technology in Colombia compared to other countries, e.g., the USA, and cultural differences (Eden and Nielsen, 2020). The next challenge is the currency exchange and inflation rate, which is currently unstable and high in Colombia, respectively large

and competitive firms in the retail and wholesale industry currently in Colombia such competition possess a challenge for Walmart to earn significant market share (Nambisan et al., 2019). There are numerous a variant regulatory requirement, trade laws, employment and anti-competition laws that would be a challenge for the company to comply with fully. Some are trade and tariff barriers. Lately, Colombia has had an underdeveloped infrastructure, high wages set in employment laws, and high transport costs. Additionally, Colombia's foreign politics and policies would pose a challenge to this company.

How to manage aspects of corporate governance, business strategy, and cultural sensitivity

By ensuring transparency, accountability, and security, Walmart can achieve good corporate governance. In that order, the successful operation of a business and the establishment of robust professional connections with shareholders, board directors, managers, and employees are dependent upon all three factors (Peng, 2022). To manage aspects of corporate governance, Walmart must balance board composition, ensure auditors' independence, be transparent, ensure the directors independence, evaluate the board regularly, define and meet the shareholders rights and needs and proactively manage risks in the Colombian market. Additionally, for Walmart to manage its business strategy, it should consider the organisation's vision statement and mission statement in its operation in the Colombian market, identify and fulfil core values, conduct and use tools such as the SWOT analysis, outline the tactics to achieve the goals, creates a plan to allocate resources to achieve the outcome desired in the new market (Colombia) and lastly evaluate results effectively (Hunt et al., 2018). Walmart can manage cultural sensitivity by using communication skills, feedback, and channels to bridge the gap, introducing global citizens' ship

training, celebrating traditional holidays, celebrations, foods, and festivals in Colombia, and listening to all employees from diverse Colombian cultures.

Different barriers experienced by foreign businesses

Tariffs and trade barriers

The Colombian government puts in current import barriers. The prices of imported goods are relatively high compared to domestic goods (Hamilton and Webster, 2018). The government of Colombia also curably offers subsidies, particularly to the domestic industries/companies giving them advantages over foreign companies.

Laws and regulation

Tax implication by the government has been another challenge for foreign companies (Collinson et al., 2020). Additional discriminatory taxes, compliance, and regulation by the Colombian government hinder the operation (Zahoor et al., 2021). The Colombian government has discriminatory laws and regulations, mainly targeting foreign companies. There are also tight employment and labor laws to promote domestic employment, making it hard for higher company employees oversees by the current foreign companies. Compliance with cultural norms, in addition to legal requirements, is required for international business (Qiwei, 2020). This is made more difficult by developing markets that have legislation that is ambiguous or corrupt officials. Foreign firms in the Colombia are subject to the tight requirements of the Foreign Corrupt Practices Act, which makes it illegal to pay bribes and engage in other unethical business practices (Chen, 2021).

Language barriers and cultural differences

Communication is essential to the success of any foreign company's plan. The success of an international business is dependent on its ability to communicate effectively with its international partners. Communication that spans cultures currently barrier for most of the foreign companies in Colombia due to diverse culture and languages (Hooper and Holtbrügge, 2020). Most foreign companies still lack the ability to communicate effectively across cultural boundaries. Commercial transactions can also be impacted by communication and cultural barriers. In total, these affect foreign companies' operations and strategies.

Appropriate strategies and recommendations to enable Walmart to succeed in Colombia

To earn a competitive advantage, Walmart should use the acquisition entry method to the new market. This involves buying/acquiring an established retail company (Zona et al., 2022). This would reduce the entry barriers, ready market power, access to experts, and capital through sales in the already established customers segment. Walmart can diversify and create new products and product lines that will fit the divergent needs of customers in Colombia. Additionally, this will also create differentiation hence success. Walmart should invest more in research and development of the Colombian market. This will ensure cost management benefits, increased market participation, and trend matching. Walmart should also consider employing promotional strategies; this includes offering discounts to entice the customers to purchase the products and using digital marketing strategies such as social media to market and create awareness of its existence in the market and products (Nambisan et al., 2019). The company should also follow

five steps: setting clear goals, researching the market, choosing the entry mode, considering financial and insurance needs, and developing the strategy document.

Conclusion

International business involves the trade goods, technology, services, knowledge, and capital at a global, transnational scale or across the national border. Walmart is a US-based retail and wholesale company. The company should enter the Colombian market as it is currently not in Colombia. This is due to the favourable condition of Colombia identified through the PESTEL and Porter's five analyses. By entering the new market, the company can build revenues and reduce competition. Walmart can counterbalance the seasonal demand cycles by entering this country. Walmart has a range of entry strategies into this country, including importing and exporting, licensing, franchising, outsourcing, and acquisition. Currently, Different barriers experienced by foreign businesses include Language barriers and cultural differences, Laws, regulations, Tariffs, and trade barriers. To earn a competitive advantage in the market, Walmart should use the acquisition entry method to the new market and establish a range and various products to be successful in its entry.

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